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**FISCAL IMPACT STATEMENT**

**LS 6023**

**BILL NUMBER:** HB 1751

**NOTE PREPARED:** Jan 23, 2004

**BILL AMENDED:**

**SUBJECT:** Interim fees on property improvements.

**FIRST AUTHOR:** Rep. Thompson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows a county to impose interim property fees on real property improvements at the time the improvements are complete and before they are subject to property tax.

**Effective Date:** January 1, 2005 (retroactive).

**Explanation of State Expenditures:** Under the proposal, the Department of Local Government Finance (DLGF) would be responsible for assessing real property subject to IC 6-1.1-8.5 (industrial facilities valued at \$25M or more). These assessments are required to be completed by the first day of the month following the certification that the facility was ready for occupancy and use. The assessments required by this bill may be in addition to the regular assessments conducted by the DLGF for property tax purposes and may require additional funding for the DLGF, but the amount cannot be currently estimated.

The interim property fee is reduced by the value of the Property Tax Replacement Credit (PTRC) and Homestead Credit that would be applied if the fee were a real property tax, but the fee does not result in any increased PTRC or Homestead Credits.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Local government officials or agencies that issue certificates of occupancy must deliver copies of all certificates or approvals on a monthly basis to the county assessor. The assessor must, on the 20th of each month, deliver an assessment registration, building permit, and certificate or approval for occupancy to the township assessor in which the real property is located. The township assessor

then assesses the property, and the county auditor must then certify to the county treasurer the total amount of the interim property fee, which the treasurer then collects in two installments in the same manner as property taxes. The cost of implementing these procedures, however, cannot be currently estimated.

The imposition of an interim property fee must be approved by the adoption of an ordinance by both the legislative body and executive of the county. Before adopting an ordinance, the county legislative body and the county executive must each conduct a public hearing on the proposed ordinance and publish notice of the public hearing. It is expected that local units will be able to absorb additional administrative costs associated with adopting an ordinance given their current budgets.

Deductions, credits, and exemptions apply to assessments in the same manner the deductions apply to property tax assessments. To qualify for a deduction, credit, or exemption, the property owner must file an application with the county auditor not later than 20 days after the date of the notice. Local units are expected to be able to absorb any additional costs associated with applications given their current budgets.

**Explanation of Local Revenues:** Interim property fees as described in this bill apply to real property which is ready for occupancy after March 1, but before January 1 of the following calendar year. These fees would first be collected for Pay 2006.

The owner's interim property fee is the result of the assessment of the improvements minus deductions multiplied by the net property tax rate (after consideration of the property tax replacement credit) for the taxing district in which the property is located for property taxes first due and payable in the calendar year immediately following the calendar year for which the assessment is certified. The amount owed is multiplied by a percentage assigned each month that corresponds to the month in which the assessment for the property occurs or the month in which the property was occupied as determined by the township assessor. Percentages are listed below.

March	83.3%
April	75.0%
May	66.7%
June	58.3%
July	50.0%
August	41.7%
September	33.3%
October	25.0%
November	16.7%
December	8.3%

The annual increase in real property assessed valuation (AV) for Pay 2005 is estimated at \$4.9B. This increase is assumed to be the result of new construction and improvements subject to the provisions of this bill. If it is

assumed that construction is equally likely to finish in any month, then the net AV subject to the provisions of this bill would be \$1.5 B (less than half since properties occupied in January or February are not assessed the fee) with a maximum statewide revenue increase of \$25.6 M in new fee revenue for the entire state (if all counties implement the fee).

Under existing law, a \$5 fee must be charged by the county assessor for the filing of the assessment registration notice. The proposal may result in an increase in revenue collected for these fees. The impact will depend on the number of registrations that will occur as a result of the bill. All fees collected by the county assessor are deposited in the county property reassessment fund.

The payment of an interim property fee is subject to enforcement in the same manner that the payment of property taxes is enforced.

A taxing unit may institute a civil suit against a person or an entity liable for delinquent interim property fees. The taxing unit may, after obtaining a judgment, collect delinquent interim property fees; penalties due to the delinquency; and costs and expenses incurred in collecting the delinquent interim property fees, including reasonable attorney's fees and court costs approved by a court with jurisdiction.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County Auditors, Assessors, and Treasurers; Township assessors; Local government units funded from the county General Fund.

**Information Sources:** Local Government Database.

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